

**CASS DISTRICT LIBRARY**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTAL INFORMATION**

**For the Year Ended December 31, 2008**

### **LIBRARY BOARD MEMBERS**

<u>Office</u>	<u>Official</u>	<u>Appointed by:</u>	<u>From:</u>	<u>Term Expires:</u>
President	Eileen Adams	Howard Township	Howard Township	12/31/2010
Vice President	Grafton Cook	County of Cass	Pokagon, Milton & Jefferson Twps.	12/31/2011
Treasurer	Hank Yeomans	County of Cass	Ontwa, Calvin & Porter Twps.	12/31/2010
Trustee	Mary Anne Hoebeke	Village of Edwardsburg	Village of Edwardsburg	12/31/2011
Trustee	Sue Toth	Mason Township	Mason Township	12/31/2009
Trustee	Mary Dunn	LaGrange Township	LaGrange Township	12/31/2012
Trustee	Nancy Stoner	County of Cass	At Large	12/31/2012
Trustee	Ronald Francis	County of Cass	Volinia, Penn & Newberg Twps.	12/31/2009

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### **EXECUTIVE DIRECTOR**

Jennifer Ray

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Cass District Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cass District Library as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cass District Library as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and budgetary comparison information on pages 2 through 4 and page 16, are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher  
February 6, 2009

As management of the Cass District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2008.

### **FINANCIAL HIGHLIGHTS**

- ✓ The assets of the library exceeded its liabilities at the close of the most recent year by \$564,395, and of this amount, \$245,371 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The library's total net assets increased by \$149,931 and \$12,837 for 2008 and 2007, respectively.
- ✓ As of the close of the current year, the Library's governmental fund reported an ending fund balance of \$256,916. For this year, revenues exceeded expenditures by \$54,113. All is available for spending, with some board designations that can be changed.
- ✓ Unreserved fund balance for the general fund was \$256,916 or 26.48% and \$202,803 or 21.12% of the total general fund expenditures for 2008 and 2007, respectively.

### **OVERVIEW OF FINANCIAL STATEMENT**

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The first column of the financial statement includes information on the Library's general fund under the modified accrual method. The *fund financial statements* focus on the current financial resources and provide a more detailed view about the accountability of the library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *library as whole financial statement* column provides both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of net activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve overtime as a useful indicator of the government's financial position. In the case of the library, assets exceeded liabilities by \$564,395 at the close of the most recent year. The largest portion of the Library's net assets are reflected in its investment in capital assets, less any related debt used to acquire those assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	<u>2008</u>	<u>2007</u>
Current Assets	\$ 1,135,667	\$ 1,027,024
Capital Assets, net	<u>343,299</u>	<u>267,148</u>
Total Assets	<u>\$ 1,478,966</u>	<u>\$ 1,294,172</u>
Long-Term Debt	\$ 18,743	\$ 27,753
Other Liabilities	<u>895,828</u>	<u>851,955</u>
Total Liabilities	<u>\$ 914,571</u>	<u>\$ 879,708</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 319,024	\$ 221,167
Unrestricted	<u>245,371</u>	<u>193,297</u>
Total Net Assets	<u><u>\$ 564,395</u></u>	<u><u>\$ 414,464</u></u>
Revenues:		
Taxes	\$ 807,109	\$ 751,514
Other	<u>217,241</u>	<u>206,267</u>
Total Revenues	\$ 1,024,350	\$ 957,781
Expenses-Library services	<u>874,419</u>	<u>944,944</u>
Change in Net Assets	<u><u>\$ 149,931</u></u>	<u><u>\$ 12,837</u></u>

The unrestricted net assets of \$245,371 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets show an increase of \$149,931, mostly from decreased capital costs.

The Library's governmental revenues increased by \$66,569 and expenses decreased by \$70,525 during the year.

**GOVERNMENTAL FUND ANALYSIS**

As noted earlier, the library uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Fund.** The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental fund reported ending fund balance of \$256,916, an increase of \$54,113. All of the fund balance constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The general fund is the only operating fund of the Library.

**LIBRARY BUDGETARY HIGHLIGHTS**

The following significant differences between the original budget and the final amended budget are as follows:

Final budgeted revenues increased over original by \$23,550 as taxes and other local dollars came in higher than expected.

Final budgeted expenses increased over original by \$1,618 attributable to higher salaries and repair expenditures than originally expected.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

During current year, the Library invested in capital assets for its governmental activities of \$116,345 (before depreciation). This investment includes capital assets, including library books, audio, buildings, furniture, computer equipment and the initial cost in expanding the Edwardsburg Branch. The Library expects that additions for 2009 will be the same or slightly lower than 2008.

**LONG-TERM DEBT**

At December 31, 2007, the Library had total debt outstanding of \$35,820. Outstanding debt consisted of \$24,275 for a capital lease and \$11,545 of accrued vacation.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2009 calendar year that will promote several of the Library's activities and programs.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cass District Library, 319 M-62; Cassopolis, Michigan 49031.

**Balance Sheet – Statement of Net Assets**  
**December 31, 2008**

	<i>General Fund</i>		<i>Library as a</i>
	<i>Balance Sheet-</i>		<i>Whole</i>
	<i>Modified</i>	<i>Adjustments</i>	<i>Statement of</i>
	<i>Accrual</i>	<i>(Note 2)</i>	<i>Net Assets-</i>
			<i>Full Accrual</i>
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 30,918	\$ -	\$ 30,918
Investments (Note 3)	262,769	-	262,769
Receivables (Note 12)	841,980	-	841,980
Total Current Assets	<u>1,135,667</u>	<u>-</u>	<u>1,135,667</u>
Capital Assets-Net of			
Accumulated Depreciation (Note 5)	<u>-</u>	<u>343,299</u>	<u>343,299</u>
<b>Total Assets</b>	<u><u>\$ 1,135,667</u></u>	<u><u>\$ 343,299</u></u>	<u><u>\$ 1,478,966</u></u>
<b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Accounts Payable (Note 12)	\$ 15,330	\$ -	\$ 15,330
Accrued Payroll and Liabilities	21,441	-	21,441
Deferred Revenue	841,980	-	841,980
Long-Term Debt, current portion	<u>-</u>	<u>17,077</u>	<u>17,077</u>
Total Current Liabilities	<u>\$ 878,751</u>	<u>\$ 17,077</u>	<u>\$ 895,828</u>
Long-Term Debt, net of current portion	<u>-</u>	<u>18,743</u>	<u>18,743</u>
<b>Total Liabilities</b>	<u><u>\$ 878,751</u></u>	<u><u>\$ 35,820</u></u>	<u><u>\$ 914,571</u></u>
<b>Fund Balance/Net Assets</b>			
Unreserved Fund Balance:			
Designated for vacation accrual	\$ 14,934	\$ (14,934)	\$ -
Designated for technology	16,000	(16,000)	-
Designated for capital improvements by (County)	10,000	(10,000)	-
Designated for main library	15,000	(15,000)	-
Undesignated	200,982	(200,982)	-
Total Fund Balance	<u>\$ 256,916</u>	<u>\$ (256,916)</u>	<u>\$ -</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 1,135,667</u></u>	<u><u>\$ (221,096)</u></u>	
<b>Net Assets</b>			
Invested in Capital Assets-Net of Debt		\$ 319,024	\$ 319,024
Unrestricted		245,371	245,371
<b>Total Net Assets</b>		<u><u>\$ 564,395</u></u>	<u><u>\$ 564,395</u></u>



**Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities**  
**December 31, 2008**

	<i>General Fund</i> Revenues and Expenditures- Modified <u>Accrual</u>	Adjustments (Note 2)	<i>Library as a</i> <i>Whole</i> Statement of Activities- <u>Full Accrual</u>
<b>Revenues:</b>			
Taxes	\$ 807,109	\$ -	\$ 807,109
State Sources	23,520	-	23,520
USF Grant	13,835	-	13,835
Penal Fines	136,682	-	136,682
Fees and Book Fines	15,718	-	15,718
Investment Income	10,256	-	10,256
Local Contributions and Other	17,230	-	17,230
	<u>\$ 1,024,350</u>	<u>\$ -</u>	<u>\$ 1,024,350</u>
<b>Expenditures:</b>			
Salaries	\$ 448,892	\$ 2,039	\$ 450,931
Payroll taxes	32,449	-	32,449
Employee benefits	125,994	-	125,994
Staff training	2,434	-	2,434
Office supplies	21,552	-	21,552
Audiovisual, books, and periodicals	104,699	(104,699)	-
Professional fees	10,782	-	10,782
Contractual services	36,110	(6,919)	29,191
Membership and recruitment	2,454	-	2,454
Internet service	14,998	-	14,998
Insurance	14,094	-	14,094
Processing costs	7,904	-	7,904
Travel	2,791	-	2,791
Programs	9,592	-	9,592
Utilities	58,227	-	58,227
Repairs and maintenance	30,651	-	30,651
Bank fees	223	-	223
Automation	9,573	-	9,573
Principal payments	18,110	(18,110)	-
Interest payments	-	3,323	3,323
Depreciation	-	40,194	40,194
Capital expenditures	18,708	(11,646)	7,062
Total expenditures	<u>\$ 970,237</u>	<u>\$ (95,818)</u>	<u>\$ 874,419</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 54,113</u>	<u>\$ 95,818</u>	<u>\$ 149,931</u>
<b>Fund Balance/Net Assets-Beginning of Year</b>	<u>202,803</u>		<u>414,464</u>
<b>Fund Balance/Net Assets-End of Year</b>	<u><u>\$ 256,916</u></u>		<u><u>\$ 564,395</u></u>

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Cass District Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (“GASB 34”). The Statements include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Library’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library’s activities.
- A change in the fund financial statements to focus on the major funds.

**Reporting Entity**

The Library is located in the Village of Cassopolis, Michigan and is governed by an eight (8) member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of LaGrange, Howard, Mason, the Village of Edwardsburg, and the County of Cass. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****Government-wide Financial Statements, Continued**

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets-net of related debt; restricted net assets; and unrestricted net assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The **General Fund** is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Assets, Liabilities, and Net Assets or Equity**

**Capital Assets** – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and exceed \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****Assets, Liabilities, and Net Assets or Equity, Concluded****Capital Assets, Concluded**

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the Library’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Property Taxes** – Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year, at which time the Library recognizes the levy. These taxes are due on February 15 with the final collection date of February 28. Starting March 1, they are added to the county tax rolls.

**NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS**

Total fund balances and the net change in fund balances of the Library’s governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

**NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS, CONCLUDED***Adjustments for Balance sheet to Statement of Net Assets:*

<b>Total Fund Balance-Modified Accrual Basis</b>	\$ 256,916
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	343,299
Long-term liabilities are not due and payable in the current period and are not reported as a liability	(26,314)
Compensated absences are included as a liability	(9,506)
<b>Total Net Assets-Full Accrual Basis</b>	<u><u>\$ 564,395</u></u>

*Adjustments for Statement of Revenues and Expenses to Statement of Activities:*

<b>Net Change in Fund Balance-Modified Accrual Basis</b>	\$ 54,113
Amounts reported in the statement of net assets are different because:	
Capital outlay is not an expense of the current period	116,345
Capital costs are allocated over their estimated useful lives as depreciation	(40,194)
Change in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements	(2,039)
Repayments of note principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	21,706
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 149,931</u></u>

**NOTE 3. DEPOSITS AND INVESTMENTS**

At December 31, 2008, the Libraries deposits and investments include the following:

	Cash and Cash Equivalents	Investments
Cash on hand	\$ 450	\$ -
Bank deposits	30,468	-
Investments	-	262,769
Total	<u>\$ 30,918</u>	<u>\$ 262,769</u>

**Bank Deposits** – All cash of the Library is on deposit with financial institutions which provide FDIC insurance coverage.

**Custodial Credit Risk-Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2008, none of the Library's bank balance was exposed to custodial risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Library does not have a deposit policy for custodial credit risk.

**Investments** – The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

	Fair Value	Current Value	1-5 Years	Investment Maturities 6-10 Years	More than 10
Money Market Funds	<u>\$ 262,769</u>	<u>\$ 262,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Library does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

**Foreign Currency Risk:** The Library is not authorized to invest in investments, which have this type of risk.

**NOTE 4. BUDGET INFORMATION**

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2008. During the current year, the budget was amended in a legally permissible manner. The budget statement (statement of revenue, expenditures and changes in fund balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is available at the Library for inspection.

**NOTE 4. BUDGET INFORMATION, CONCLUDED**

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	Amended Budget	Actual	Variance
Office supplies	\$ 21,500	\$ 21,552	\$ (52)
Audivisual, books, and periodicals	100,256	104,699	(4,443)
Contractual services	35,000	36,110	(1,110)
Membership and recruitment	2,024	2,454	(430)
Processing costs	6,500	7,904	(1,404)
Programs	9,400	9,592	(192)
Utilities	58,156	58,227	(71)
Repairs and maintenance	28,600	30,651	(2,051)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Library.

Fund Deficits—The Library has no accumulated fund balance deficits in their reported funds.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the Library's governmental activities was as follows:

	Balance 1/1/2008	Additions	Disposals and Adjustments	Balance at 12/31/08
<b><u>Assets not being depreciated:</u></b>				
Land	\$ 13,207	\$ -	\$ -	\$ 13,207
Construction in Progress	31,186	-	-	31,186
Subtotal	<u>\$ 44,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,393</u>
<b><u>Depreciable capital assets:</u></b>				
Building and improvements	\$ 151,291	\$ -	\$ -	\$ 151,291
Furniture and fixtures	43,030	3,158	-	46,188
Equipment	120,462	8,488	-	128,950
Books, audiovisual, periodicals	1,686,012	104,699	(100,000)	1,690,711
Subtotal	<u>\$2,000,795</u>	<u>\$116,345</u>	<u>\$ (100,000)</u>	<u>\$ 2,017,140</u>
Less: Accumulated Depreciation	<u>(1,778,040)</u>	<u>\$ (40,194)</u>	<u>\$ 100,000</u>	<u>(1,718,234)</u>
<b>Net depreciable capital assets</b>	<u>\$ 222,755</u>			<u>\$ 298,906</u>
<b>Net capital assets</b>	<u>\$ 267,148</u>			<u>\$ 343,299</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$40,194 for the year ended December 31, 2008.

Equipment includes \$29,472 of gross costs and \$11,788 of accumulated depreciation recorded under capital leases.

**NOTE 6. LONG-TERM DEBT**

Long-term debt is comprised of the following at December 31, 2008:

	Interest <u>Rate</u>	Principal <u>Matures</u>	Beginning <u>Balance</u>	Additions <u>(Reductions)</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Notes and Leases:						
Note Payable	6.80%	9/1/2015	\$ 16,926	\$ (16,926)	\$ -	\$ -
Capital Lease		11/26/2012	29,055	(4,780)	24,275	5,532
Subtotal			\$ 45,981	\$ (21,706)	\$ 24,275	\$ 5,532
Other Liabilities:						
Accrued Vacation	n/a	n/a	9,506	2,039	11,545	11,545
			<u>\$ 55,487</u>	<u>\$ (19,667)</u>	<u>\$ 35,820</u>	<u>\$ 17,077</u>

Annual debt service requirements to maturity for the above obligations (excluding accrued vacation) are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5,532	1,386	6,918
2010	5,902	1,016	6,918
2011	6,296	622	6,918
2012	6,545	201	6,746
	<u>\$ 24,275</u>	<u>\$ 3,225</u>	<u>\$ 27,500</u>

Interest expense for the year ended December 31, 2008 amounted to \$3,323.

**NOTE 7. LEASES**

Operating Leases-The Library leases equipment under noncancellable operating leases. Total costs for such leases were \$12,838 for the current year, included with contractual services. All of the leases expired during 2008 and the assets returned.

In addition, the Library leases its main facility, located in Cassopolis, from the County of Cass for an annual cost of \$1 plus maintenance and repairs. Under the terms of the lease agreement, the Library was required to pay \$0 for 2008 to the County Treasurer to fund the replacement of capital items, but has designated \$15,000 of their net assets for this purpose. (See Note 11.)



**NOTE 8. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

**NOTE 9. DEFINED BENEFIT PENSION PLAN****Plan Description**

The Library participates in an agent, multiple-employer defined benefit pension plan Municipal Employees' Retirement System of Michigan (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances, and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly-available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

**Funding Policy**

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially-determined rate; the current rate is 0.0% to 21.08% of annual covered payroll, depending on the plan. The contribution requirements of plan members and the commission are established and may be amended by the MERS.

**Annual Pension Cost**

For the year ended December 31, 2008, the Library contributions were zero (0), which was made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2007. The employer contribution rate has been determined using the entry actual age cost method. Significant actuarial assumptions used included (a) 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent, attributable to inflation, and (c) 0 to 4.2 percent per year attributable to merit and longevity. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over a 30-year period.

**NOTE 9. DEFINED BENEFIT PENSION PLAN, CONCLUDED**

Three year trend information:

	For the year ended December 31:		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost ("APC")	\$ -	\$ -	\$ -
Percentage of APC contributed	-	-	-
Net pension obligation	-	-	-
Actuarial value of assets	\$ 649,198	\$ 678,222	\$ 709,087
Actuarial Accrued Liability ("AAL")(entry age)	435,987	493,518	541,025
Unfunded(Overfunded) AAL	(213,211)	(184,704)	(168,062)
Funded ratio	148.90%	137.43%	131.06%
Covered payroll	326,174	348,624	387,654
UAAL as a percentage of covered payroll	65.37%	52.98%	43.35%

**NOTE 10. FUNDS HELD BY THE MICHIGAN GATEWAY COMMUNITY FOUNDATION**

The Library is the beneficiary of endowment funds at the Michigan Gateway Community Foundation that are considered permanent endowments to benefit the Library. The endowments are within the Foundation and not part of the Library's General Fund. Investment earnings are reinvested into the endowment. The amount of the endowment funds held at Michigan Gateway Community Foundation in the Cass District Library Fund approximates \$1,054.

During the year, the Library did not withdraw past earnings on principal from the endowment funds held at the Michigan Gateway Community Foundation.

**NOTE 11. DESIGNATED FUND BALANCE**

Fund balance has been designated by the Board for the following purposes:

Vacation accrual	\$ 14,934
Technology	16,000
Capital improvements	10,000
Main library	15,000
	<u>\$ 55,934</u>

**NOTE 12. RECEIVABLE AND PAYABLES**

Receivables as of December 31, 2008 for the Township's general fund consisted of \$841,980 of taxes receivable for next years levy.

Payables as of December 31, 2008 for the Township's general fund consisted of \$15,330 of normal trade payables.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Required Supplemental Information**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended December 31, 2008**

	Originally Adopted <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 796,800	\$ 808,638	\$ 807,109	\$ (1,529)
State Sources	27,000	23,520	23,520	-
USF Grant	17,000	14,000	13,835	(165)
Penal Fines	130,000	136,682	136,682	-
Fees and Book Fines	3,000	15,125	15,718	593
Investment Income	10,000	10,000	10,256	256
Local Contributions and Other	16,000	15,385	17,230	1,845
	<u>\$ 999,800</u>	<u>\$ 1,023,350</u>	<u>\$ 1,024,350</u>	<u>\$ 1,000</u>
<b>Expenditures:</b>				
Salaries	\$ 471,410	\$ 473,500	\$ 448,892	\$ 24,608
Payroll taxes	36,063	36,032	32,449	3,583
Employee benefits	134,000	130,750	125,994	4,756
Staff training	5,500	4,000	2,434	1,566
Office supplies	17,500	21,500	21,552	(52)
Audiovisual, books, and periodicals	98,800	100,256	104,699	(4,443)
Professional fees	13,000	11,525	10,782	743
Contractual services	32,200	35,000	36,110	(1,110)
Membership and recruitment	4,225	2,024	2,454	(430)
Internet service	16,000	15,500	14,998	502
Insurance	14,000	14,094	14,094	-
Processing costs	8,000	6,500	7,904	(1,404)
Travel	4,000	3,200	2,791	409
Programs	9,000	9,400	9,592	(192)
Utilities	56,500	58,156	58,227	(71)
Repairs and maintenance	25,000	28,600	30,651	(2,051)
Bank fees	-	400	223	177
Automation	10,500	10,000	9,573	427
Debt payments	14,231	18,110	18,110	-
Capital expenditures	28,000	21,000	18,708	2,292
Total expenditures	<u>\$ 997,929</u>	<u>\$ 999,547</u>	<u>\$ 970,237</u>	<u>\$ 29,310</u>
<b>Excess of revenues over expenditures</b>	\$ 1,871	\$ 23,803	\$ 54,113	\$ 30,310
<b>Fund Balance-Beginning of Year</b>	202,803	202,803	202,803	-
<b>Fund Balance-End of Year</b>	<u>\$ 204,674</u>	<u>\$ 226,606</u>	<u>\$ 256,916</u>	<u>\$ 30,310</u>



To the Library Board and Executive Director  
of Cass District Library

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass District Library (the "Library") as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Cass District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

#### **Segregation of Incompatible Duties**

Management is responsible for establishing effective internal controls to safeguard the Library's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Library's unique circumstances.

As is the case with many library's of similar size, the Library lacks a sufficient number of accounting personnel in order to ensure a complete segregation of incompatible duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent year have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a government's internal control carries with it a greater risk of fraud and abuse.

This condition is a result of the Library's limited resources, and the small size of its accounting staff.

David Schaffer, CPA  
Michael Layher, CPA  
Founding Partners:  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

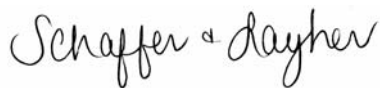
### **Preparation of Financial Statements in Accordance with GAAP**

All Michigan Library's are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the Library's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e. external financial reporting.)

As is the case with many smaller and medium sized entities, the Library has historically relied on its independent external auditors to assist in the preparation of various year-end accruals and other adjustments, as well as the drafting of the financial statements and footnotes of its external financial reporting process.

This condition was caused by the Library's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the library to perform the task internally.

This communication is intended solely for the information and use of management, the Library Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher, PLLC

St. Joseph, MI

February 6, 2009



February 6, 2009

To the Library Board of  
Cass District Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass District Library for the year ended December 31, 2008, and have issued our report thereon dated February 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. In addition:

- 1) Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of Cass District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 21, 2009.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cass District Library are described in Note 1 to the financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the setting depreciable lives is based on both GAAP guidelines and review of assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management* For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 6, 2009.

*Management Consultations with Other Independent Accountants*

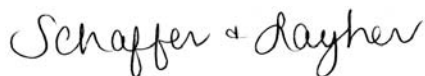
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Library board and management of Cass District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher, PLLC